

## MEMORANDUM

**Date** : May 4, 2010  
**To** : Kathleen Rose, Deputy Director, ROD  
**From** : Audits Office  
**Subject**: **Vehicle and Vessel Registration Program Audit of  
Special Processing Unit #134**

We have completed the Vehicle and Vessel Registration Program Audit of the Special Processing Unit (SPU) #134 for the period of October 1, 2007 through September 30, 2009. We hereby present the final audit report for your information. The results of our observations, evaluation of responses from completed questionnaires, and additional questions at the SPU site disclosed no reportable findings. However, we identified one concern.

While SPU keeps Inventory Shipping List Details, Notice of Transfer of Accountable or Controlled Items, and Select Inventory Action printouts for inventory recordkeeping, it fails to retain Accountable Item(s) Order (ADM 510s) as required by the Accounting Manual. For the audited period from October 1, 2007 through September 30, 2009, no ADM 510s were available for review. Without ADM 510s, it is difficult to determine whether this office has adequate internal controls and strictly enforces separation of duties when ordering, receiving, and updating the inventory. Failure to have adequate separation of duties when ordering inventory increases the possibility of theft or misuse of items, loss of accountability, or financial loss to the Department. The SPU must retain ADM 510s for a two year period as required under Accounting Manual, Chapter 6.

We hereby request that ROD management respond to this memo by May 25, 2010, indicating the corrective action(s) planned or implemented to rectify this concern.

We thank the management and staff of SPU for their cooperation and courtesy extended to our auditors during this audit. If you have questions regarding the audit, please contact Sherry Clark, Supervisor of the Field Office Review Section, at (916) 657-6237.



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cc: George Valverde, Director  
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**VEHICLE AND VESSEL REGISTRATION PROGRAM AUDIT OF  
SPECIAL PROCESSING UNIT 134**

**TABLE OF CONTENTS**

<b>EXECUTIVE SUMMARY .....</b>	<b>2</b>
<b>BACKGROUND, OVERVIEW AND AUTHORITY .....</b>	<b>2</b>
<b>OBJECTIVES AND SCOPE OF AUDIT .....</b>	<b>3</b>
<b>APPROACH AND METHODOLOGY .....</b>	<b>4</b>
<b>RESULTS AND OPINION .....</b>	<b>4</b>
<b>NEXT STEPS .....</b>	<b>5</b>
<b>CONCLUSION.....</b>	<b>5</b>

# VEHICLE AND VESSEL REGISTRATION PROGRAM AUDIT OF THE SPECIAL PROCESSING UNIT #134

## FINAL AUDIT REPORT

MAY 2010

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### EXECUTIVE SUMMARY

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The Internal Audits Branch recently completed a department-wide **Vehicle and Vessel Registration (VVR) Program Audit**. Eighteen units were selected for onsite review, including the Special Processing Unit (SPU), reporting unit 134. This audit report presents the results applicable to the SPU.

The areas of risk associated with the overall VVR Program activities were inaccurate transaction processing, fraudulent applications, revenue collections, cash handling, and information security breaches. This is due to the DMV's daily exposure to a high volume of customer transactions, large amount of fees collected, and the customer personal and confidential information that is collected, retained, and secured. Selection factors included the integrity and confidentiality of vehicle registration records, unstable system environment, security and confidentiality of department information, inventory discrepancies, high potential for fraud and resulting loss of revenue, and non-compliance with departmental policies and procedures.

This audit measured the SPU's adherence to registration transaction processing and accountable inventory policies and procedures, safeguards over customer personally identifiable information (PII), data integrity of the department's computer system, effectiveness of internal controls, and sufficiency of governance and oversight by ROD management. Further, it incorporated the responses to questionnaires completed by the SPU and an onsite audit of the unit.

Our audit disclosed that the SPU adhered to the established policies and procedures relating to the vehicle and vessel registration program and did not identify any significant control weaknesses. This final audit report documents the details.

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### BACKGROUND, OVERVIEW AND AUTHORITY

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The Department's VVR Program provides a variety of services to California residents and business entities. This includes validating and accurately processing vehicle and vessel transactions for residents and nonresidents, issuing duplicate titles, processing registration renewals, lien sales, and salvages for vehicles operated in the state of California.

The Special Processing Unit (SPU) handles a variety of specialized transactions such as rush titles, environmental license plates, specialized license plates, hybrid decals, farm labor equipment, and disabled person parking placards. In addition, SPU staffs process expedite applications such as 72 hour specials, order and issue special plates, exempt registrations, mopeds, and special equipment identifications.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors, Inc., *Generally Accepted Government Auditing Standards* promulgated by the US Government Accountability Office, and under the authority granted to us in the Audit Charter. This final report presents the details and results of the audit.

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### OBJECTIVES AND SCOPE OF AUDIT

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The general objective of the VVR Program Audit of the SPU was to provide management with an independent assessment of the risks, controls, and governance processes associated with the SPU's registration and related activities.

Specific audit objectives included the following:

- Evaluated VVR activities and ensured that the SPU complies with established laws, regulations, and departmental registration policies and procedures. (Policies and procedures)
- Assessed the existing risks associated with the SPU's VVR activities, and determined whether compensating controls are in place to identify and mitigate such risks. (Program risks)
- Ensured that policies and procedures relating to the receipt, storage, issuance, periodic inventory, and security of accountable items are adhered to. (Accountable and controlled items)
- Verified whether adequate privacy and security controls exist at the SPU to safeguard customer PII, and prevent unauthorized access to DMV registration information and systems. (Privacy and security)
- Determined whether adequate administrative and accounting controls have been established over the SPU's registration activities and ensure that the overall internal controls function properly as intended. (Internal controls)
- Verified whether Registration Operations Division (ROD) management has adequate monitoring and governance control procedures in place to ensure the SPU's registration program is effective and efficient. (Governance and Oversight)

The audit included a review of the SPU's vehicle and vessel registration transactions and associated activities from October 1, 2007 through September 30, 2009. We reviewed the SPU's inventory Shipping Lists, Notice of Transfer of Accountable or Controlled Items, P35 log and receipts, office rosters, Employee Purge Reports, Browse Abbreviated Employee Records, Modify Employee Records, and Application Review Lists.

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## **APPROACH AND METHODOLOGY**

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In order to accomplish the above objectives, the Internal Audits Branch prepared and submitted a questionnaire to SPU management and reviewed requested documentation to evaluate the operational efficiency and effectiveness of the SPU's registration program. The following methodology was used:

- Determined if controls were in place to ensure that accountable item inventory was properly handled.
- Determined if technicians followed proper procedures when processing registration transactions, handling of cash and check payments were done in a safe, secure manner, and retention guidelines were properly adhered to.
- Ensured that retention and signature guidelines for DMV's Annual Information Security Policy and Computer Use Statement (DMV 350) were adhered to.
- Verified whether sufficient controls existed at the SPU to protect access to DMV computers and customer information.
- Verified that SPU employees have received enough training and filled out proper documentation for procedures involved in the safeguarding of personally identifiable information.

We conducted this audit at the Special Processing Unit in Sacramento HQ. The SPU is monitored by ROD management. We selected the SPU for onsite testing based on two factors: high volume of transactions and the large amount of revenue collections.

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## **RESULTS AND OPINION**

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Overall, our evaluation revealed that the SPU adheres to the established policies and procedures relating to the VVR Program and there were no significant internal control weaknesses or findings. More specifically, the following were noted:

- The SPU complied with established laws, regulations, and departmental registration policies and procedures.
- The SPU had compensating controls in place to identify and mitigate its program risks.

- The SPU generally adhered to policies and procedures relating to the receipt, storage, issuance, periodic inventory, and security of accountable items.
- Adequate privacy and security controls existed at the SPU to safeguard customer personally identifiable information (PII), and prevented unauthorized access to DMV registration information and systems.
- Adequate administrative and accounting controls were established over SPU registration activities and the unit ensured that the overall internal controls function properly as intended.
- ROD management has adequate monitoring and governance control procedures in place to ensure the SPU's registration program was effective and efficient.

In our opinion, the SPU's policies and procedures provide reasonable assurance that registration indicia will be issued properly, appropriate fees collected, customer PII protected, and provide adequate control and disposal of accountable items. The administrative and accounting controls relative to the SPU's VVR Program as of April 15, 2010, taken as a whole, was sufficient to meet the noted objectives stated above.

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#### NEXT STEPS

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This is the final report issued on May 4, 2010. No further action is necessary as there are no findings.

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#### CONCLUSION

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Our audit disclosed that the Special Processing Unit #134 has established adequate policies and procedures and staff follow those procedures when processing vehicle and vessel registration transactions. Further, internal controls at this unit, taken as a whole, appear to be sufficient and functioning properly to meet the program objectives. Also, SPU management monitor workloads, review various reports, and ensure that the program is operating as designed.

  
**CHRISTIANA MBOME, CPA**  
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April 15, 2010

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